

ORIGINAL
OPEN MEETING



MEMORANDUM
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TO: THE COMMISSION

2004 OCT -4 A 10: 12

Arizona Corporation Commission
DOCKETED

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

OCT - 4 2004

DATE: October 4, 2004

DOCKETED BY	<i>AP</i>
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RE: IN THE MATTER OF THE APPLICATION OF DUNCAN VALLEY ELECTRIC COOPERATIVE, INC., GRAHAM COUNTY ELECTRIC COOPERATIVE, INC., SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., AND TRICO ELECTRIC COOPERATIVE, INC. FOR APPROVAL OF ENVIRONMENTAL PORTFOLIO STANDARD VOLUNTARY CONTRIBUTION TARIFFS (DOCKET NOS. E-01703A-04-0698, E-01749A-04-0698, E-01575A-04-0698, AND E-01461A-04-0698)

On February 8, 2001, the Arizona Corporation Commission ("Commission") entered Decision No. 63364, which adopted the Environmental Portfolio Standard ("EPS") Rules, A.A.C. R14-2-1618. Five parties to the docket filed applications for rehearing and reconsideration of the decision.

On March 29, 2001, the Commission entered Decision No. 63486, which modified the EPS Rules and which included exemptions to the rules in response to some of the applications for rehearing and reconsideration.

On August 10, 2004, the Commission entered Decision No. 67176, which approved the EPS Plan of Arizona Electric Power Cooperative, Inc ("AEPCO"). Included in that plan is a provision for AEPCO's member distribution cooperatives to solicit contributions from retail members that will be used to install renewable generation in Arizona. This portion of the AEPCO EPS Plan is known as the "SunWatts Contribution Program."

On September 27, 2004, Grand Canyon State Electric Cooperative Association, Inc. ("GCSECA") filed an application on behalf of Duncan Valley Electric Cooperative, Inc., Graham County Electric Cooperative, Inc., Sulphur Springs Valley Electric Cooperative, Inc, and Trico Electric Cooperative, Inc. ("the Cooperatives") requesting Commission approval of Voluntary EPS Contribution Tariffs. Attached to the application were identical tariffs for each of the four distribution cooperatives.

Currently, under EPS rules and through tariffs approved in 2001, the member/consumers of the Cooperatives pay monthly EPS surcharges that finance the Cooperatives' EPS efforts. The new Voluntary EPS Contribution Tariffs will allow the member/consumers to contribute additional amounts, if they desire to do so, that will be used by AEPCO and the Cooperatives to

meet EPS requirements. Those amounts of voluntary contribution will range from \$2.00 to \$10.00 per month.

Staff has reviewed the four tariffs that were submitted. The tariffs are clearly written and achieve the purpose for which they were designed.

Staff finds that the subject tariffs offer member/consumers an opportunity to volunteer to assist the Cooperatives in meeting their Environmental Portfolio Standard requirements. This will allow the volunteers to "go above and beyond" the support of other member/consumers in broadening the generation mix of the Cooperatives.

Staff has analyzed this application in terms of whether there were fair value implications. Compared to the Cooperatives' total revenue, any impact from these programs would be de minimus, and any impact on the Cooperatives' fair value rate base and rate of return would also be de minimus.

Staff finds that approval of the tariffs is in the public interest and recommends approval by the Commission.

A handwritten signature in black ink, appearing to read "E. G. Johnson", with a long horizontal flourish extending to the right.

Ernest G. Johnson
Director
Utilities Division

EGJ:RTW:lhv\JMA

ORIGINATOR: Ray T. Williamson

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BEFORE THE ARIZONA CORPORATION COMMISSION

MARC SPITZER
Chairman
WILLIAM A. MUNDELL
Commissioner
JEFF HATCH-MILLER
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner

IN THE MATTER OF THE APPLICATION
OF DUNCAN VALLEY ELECTRIC
COOPERATIVE, INC., GRAHAM COUNTY
ELECTRIC COOPERATIVE, INC.,
SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC., AND TRICO
ELECTRIC COOPERATIVE, INC. FOR
APPROVAL OF ENVIRONMENTAL
PORTFOLIO STANDARD VOLUNTARY
CONTRIBUTION TARIFFS

DOCKET NOS. E-01703A-04-0698
E-01749A-04-0698
E-01575A-04-0698
E-01461A-04-0698

DECISION NO. _____
ORDER

Open Meeting
October 26 and 27, 2004
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On February 8, 2001, the Arizona Corporation Commission ("Commission") entered Decision No. 63364, which adopted the Environmental Portfolio Standard ("EPS") Rules, A.A.C. R14-2-1618. Five parties to the docket filed applications for rehearing and reconsideration of the decision.
2. On March 29, 2001, the Commission entered Decision No. 63486, which modified the EPS Rules and which included exemptions to the rules in response to some of the applications for rehearing and reconsideration.
3. On August 10, 2004, the Commission entered Decision No. 67176, which approved the EPS Plan of Arizona Electric Power Cooperative, Inc ("AEPCO"). Included in that plan is a

1 provision for AEPCO's member distribution cooperatives to solicit contributions from retail
2 members that will be used to install renewable generation in Arizona. This portion of the AEPCO
3 EPS Plan is known as the "SunWatts Contribution Program."

4 4. On September 27, 2004, Grand Canyon State Electric Cooperative Association, Inc.
5 ("GCSECA") filed an application on behalf of Duncan Valley Electric Cooperative, Inc., Graham
6 County Electric Cooperative, Inc., Sulphur Springs Valley Electric Cooperative, Inc, and Trico
7 Electric Cooperative, Inc. ("the Cooperatives") requesting Commission approval of Voluntary EPS
8 Contribution Tariffs. Attached to the application were identical tariffs for each of the four
9 distribution cooperatives.

10 5. Currently, under EPS rules and through tariffs approved in 2001, the
11 member/consumers of the Cooperatives pay monthly EPS surcharges that finance the
12 Cooperatives' EPS efforts. The new Voluntary EPS Contribution Tariffs will allow the
13 member/consumers to contribute additional amounts, if they desire to do so, that will be used by
14 AEPCO and the Cooperatives to meet EPS requirements. Those amounts of voluntary
15 contribution will range from \$2.00 to \$10.00 per month.

16 6. Staff has reviewed the four tariffs that were submitted. The tariffs are clearly
17 written and achieve the purpose for which they were designed.

18 7. Staff finds that the subject tariffs offer member/consumers an opportunity to
19 volunteer to assist the Cooperatives in meeting their Environmental Portfolio Standard
20 requirements. This will allow the volunteers to "go above and beyond" the support of other
21 member/consumers in broadening the generation mix of the Cooperatives.

22 8. Staff has analyzed this application in terms of whether there were fair value
23 implications. Compared to the Cooperatives' total revenue, any impact from these programs
24 would be de minimus, and any impact on the Cooperatives' fair value rate base and rate of return
25 would also be de minimus.

26 9. Staff finds that approval of the tariffs is in the public interest and recommends
27 approval by the Commission.

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CONCLUSIONS OF LAW

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2 1. Duncan Valley Electric Cooperative, Inc., Graham County Electric Cooperative,
3 Inc., Sulphur Springs Valley Electric Cooperative, Inc, and Trico Electric Cooperative, Inc. are
4 Arizona public service corporations within the meaning of Article XV, Section 2, of the Arizona
5 Constitution.

6 2. The Commission has jurisdiction over Duncan Valley Electric Cooperative, Inc.,
7 Graham County Electric Cooperative, Inc., Sulphur Springs Valley Electric Cooperative, Inc, and
8 Trico Electric Cooperative, Inc. and over the subject matter of this application.

9 3. The Commission, having reviewed the application and Staff's Memorandum dated
10 October 4, 2004, concludes that it is in the public interest to approve the four Voluntary EPS
11 Contribution Tariffs.

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ORDER

IT IS THEREFORE ORDERED that applicants' request for approval of the four Voluntary Environmental Portfolio Standard Contribution Program Tariffs included in this application is approved.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2004.

BRIAN C. McNEIL
Executive Secretary

DISSENT: _____

DISSENT: _____

EGJ:RTW:lhmlJMA

Decision No. _____

1 SERVICE LIST FOR: Duncan Valley Electric Cooperative, Inc., et al.
2 DOCKET NOS. E-01703A-04-0698, et al.

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4 Director of Regulatory & Strategic Services
5 Grand Canyon State Electric
6 Cooperative Association, Inc.
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8 Phoenix, Arizona 85034-1822

9 Mr. Ernest G. Johnson
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11 Arizona Corporation Commission
12 1200 West Washington
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14 Mr. Christopher C. Kempley
15 Chief Counsel
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